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Addressing the Governance Implementation Gap in Zambia's National Road Fund Act, Cap 381

By

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DEDICATION

I dedicate this thesis to my beloved mother, Dorothy Banda, whose unwavering love, sacrifices, encouragement, and prayers have been the foundation of my journey. Your strength, wisdom, and constant belief in me have inspired me to persevere through every challenge. This achievement is as much yours as it is mine. Thank you for your endless support and for always reminding me to strive for excellence. May this work stand as a testament to your dedication and the values you have instilled in me.

DECLARATION

I, NATASHA DIHANGA, DO HEREBY DECLARE THAT this dissertation is my original work and has been presented for a degree to the ZCAS University or any other University. All other sources of information cited herein have been dully acknowledged.

Signature:

Date:

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NOTE ON REFERENCING

This thesis has adopted the Oxford University Standard for the Citation of Legal Authorities (OSCOLA) as the prescribed referencing style. All references, citations, footnotes, and bibliographical entries have been prepared in accordance with the OSCOLA guidelines to ensure consistency, accuracy, and proper acknowledgment of sources consulted during the course of this research.

The author acknowledges all primary and secondary sources relied upon in the preparation of this thesis, including legislation, case law, books, journal articles, reports, and electronic resources. Any errors or omissions that may remain are solely the responsibility of the author.

ABSTRACT

This thesis examines the governance implementation gap in the National Road Fund Act, Cap. 381 of the Laws of Zambia, to the requirements outlined by the National Corporate Governance Code 2026. Although the National Road Fund Agency's governance structures generally conform to the Code, the study finds that implementation is primarily procedural rather than substantive, limiting the achievement of effective accountability, transparency, and institutional integrity.

The research employs a doctrinal and analytical methodology, drawing on primary legal sources such as the National Road Fund Act, Cap. 381, the National Corporate Governance Code 2026, the State-Owned Enterprises Act No. 1 of 2026, relevant case law, and current scholarly literature on corporate governance, board independence, and statutory fund accountability. A critical analysis of the present legislative framework reveals substantial statutory inadequacies that contribute to the governance implementation gap. These include a lack of mandatory provisions for board independence, competency requirements, ethical standards, and conflict-of-interest management; broad ministerial powers that undermine board autonomy; and insufficient statutory requirements for governance reporting, stakeholder engagement, and non-financial accountability.

The thesis contends that effective governance cannot be achieved just through policy instruments, but rather through legislative change that incorporates good governance concepts into the statutory framework. It therefore proposes targeted amendments to the National Road Fund Act, including provisions on board composition and ethical governance, clearer limitations on ministerial oversight to safeguard institutional independence, and mandatory governance reporting in conjunction with structured stakeholder participation.

The study concludes that enhancing the legislative framework controlling the National Road Fund Agency is critical for addressing the governance implementation gap. The proposed reforms link the Act with the National Corporate Governance Code 2026, providing a practical legislative framework for improving transparency, accountability, institutional effectiveness, and public trust in Zambia's road fund administration.

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CHAPTER ONE

INTRODUCTION

1.1 Overview and Background

Corporate governance is no longer measured solely by the presence of governance institutions and formal policies, but also by the extent to which such mechanisms result in effective governance outcomes such as accountability, transparency, ethical leadership, board independence, and responsiveness to oversight.¹The National Corporate Governance Code 2026 mandates public entities to establish governance systems that prioritize independent and competent boards, ethical organizational culture, minimal ministerial interference, effective risk management, transparency, and stakeholder participation.²

In Zambia, the National Road Fund Agency (NRFA) was established under the National Road Fund Act, Cap. 381 of the Zambian Laws, to administer and manage road user revenues for road maintenance and development.³The Act outlines the Agency's governance system, including a Board of Directors, financial management, audits, ministerial control, and reporting requirements. The Agency follows the public governance structure outlined by the Public Finance Management Act, Cap. 347, the Public Procurement Act, Cap. 394, and the State-Owned Enterprises Act No. 1 of 2026.⁴

Despite this legislative framework, the findings will show that there is a continuous governance implementation gap inside the NRFA. While formal governance institutions have been devised, their use has not consistently resulted in good governance outcomes.⁵The Office of the Auditor General and Financial Intelligence Centre's oversight reports continue to highlight inadequacies in internal controls, accountability, governance compliance, procurement supervision, and

¹ Ministry of Justice (Zambia), National Corporate Governance Code 2026 (Ministry of Justice 15 January 2026) Foreword.

² Ibid Principles 1, 2, 3, 7, 8, 9.

³ National Road Fund Act Cap 381 s 3.

⁴ Public Finance Management Act Cap 347; Public Procurement Act Cap 394.

⁵ See Ch 4.1.7 of this study.

institutional openness.⁶ These repeating findings indicate that compliance with governance norms is mostly procedural rather than substantive, limiting the effectiveness of the current regulatory framework.

A doctrinal analysis of the National Road Fund Act, Cap. 381 demonstrates that this implementation gap is attributable to identifiable legislative deficiencies. First, the Act contains no mandatory provisions requiring board independence, competency criteria, a board skills matrix, or statutory mechanisms governing ethical conduct, conflicts of interest, and declarations of interest, notwithstanding the requirements contained in Principles 2, 3, and 7 of the National Corporate Governance Code 2026.⁷ Secondly, section 8 confers broad ministerial powers without clearly safeguarding the operational independence of the Board, thereby creating the potential for undue executive influence contrary to Principle 1 of the Code and comparative judicial authority recognising the importance of institutional autonomy in the governance of statutory road funds.⁸

Using a doctrinal and analytical legal research technique, the study compares the existing statutory framework to established principles of good corporate governance and comparative governance practices. It also suggests targeted legislative modifications to directly incorporate current governance norms into the National Road Fund Act. The research aims to improve the National Road Fund Agency's accountability, transparency, institutional independence, and effective public administration by strengthening the statutory governance structure. Finally, the paper contends that sustained governance change necessitates not only the adoption of governance policies, but also the insertion of enforceable governance principles into main law, hence closing the governance implementation gap in Zambia's road fund administration.⁹ Third, the Act only requires financial auditing and does not impose statutory obligations relating to governance reporting, stakeholder participation, board performance evaluation, or public accountability,

⁶ Office of the Auditor General, Annual Report on the Accounts of Statutory Bodies [2025]; Financial Intelligence Centre, Trends Report [2024].

⁷ Road Fund Administration v Government of the Republic of Namibia NAHC 219 paras 42-47.

⁸ Ministry of Justice (Zambia), National Corporate Governance Code 2026 (n 1) Principles 8, 9.

⁹ Mervyn E King, Corporate Governance and ESG: A Common-Sense Approach to Sustainability (2nd edn, Routledge 2024) 41–58.

despite these being recognized as components of modern corporate governance under Principles 8 and 9 of the National Corporate Governance Code 2026.¹⁰

Contemporary scholarship provides additional support for these statutory flaws. Recent research has shown that board independence, well defined governance roles, and statutory accountability mechanisms improve the efficacy of public institutions and funds.¹¹ According to increasing literature on public sector corporate governance in Zambia, deficient institutional accountability is still primarily caused by excessive ministerial discretion and insufficient legislative governance rules, despite larger governance changes. International development organizations have also identified governance reporting, stakeholder participation, and open oversight as critical components of accountable road fund administration and sustainable infrastructure finance.¹²

Against this backdrop, this study conducts a critical legal analysis of the National Road Fund Act, Cap. 381 in light of the outcome-based requirements established by the National Corporate Governance Code 2026 and modern concepts of public sector corporate governance.

The study aims to identify the legislative provisions responsible for the governance implementation gap and to propose targeted statutory revisions capable of incorporating enforceable governance duties into the Act. It contends that effective governance reform necessitates more than institutional compliance with governance rules; it necessitates primary legislation that converts governance concepts into legally enforceable duties. In doing so, the study helps to shape Zambia's corporate governance jurisprudence by suggesting a legal framework capable of closing the gap between governance structures and governance outcomes.

1.2 Statement of the problem

The National Corporate Governance Code 2026 establishes an outcome-based governance framework in which public entities must demonstrate accountability, board independence, ethical leadership, transparency, stakeholder participation, and effective oversight rather than simply

¹⁰ Mulenga M and Phiri L, 'Board Independence and Performance of Statutory Funds in Southern Africa' (2024) 18 African Journal of Public Administration 112.

¹¹ Chanda B, 'Political Control and Board Autonomy in Zambia's State-Owned Enterprises' (2023) 11 *Zambian Law Journal* 45.

¹² African Development Bank, Road Sector Governance and Stakeholder Engagement in Africa (AfDB 2025) 34.

maintaining formal governance structures.¹³ However, the National Road Fund Act, Cap. 381, which provides the statutory framework controlling the National Road Fund Agency (NRFA), was enacted before the adoption of these contemporary governance norms and has not been fully linked with them.¹⁴

The findings of this study show that, while the NRFA has established governance structures, however, governance implementation is primarily procedural rather than substantive. Consequently, a governance implementation gap exists whereby formal governance institutions are in place but are not adequately supported by enforceable statutory obligations necessary to achieve the governance outcomes envisioned by the Code.¹⁵

The analysis cites three key statutory weaknesses in the National Road Fund Act, Cap. 381 that contribute to the implementation gap. First, there are no required provisions in the Act requiring board independence, competency criteria, a board skills matrix, or statutory systems for managing ethical conduct, declarations of interest, and conflict-of-interest management. As a result, ethical governance and board independence continue to be based on administrative practice rather than legally enforced responsibilities, which contradicts Principles 2, 3, and 7 of the National Corporate Governance Code 2026.¹⁶ Second, Section 8 confers broad ministerial powers without clearly safeguarding the Board's operational autonomy, creating the possibility of executive interference and weakening institutional accountability, which is contrary to Principle 1 of the National Corporate Governance Code 2026 and the reasoning in *Road Fund Administration v Government of the Republic of Namibia*.¹⁷ Third, while the Act requires financial auditing, it does not include statutory requirements for governance reporting, stakeholder participation, board performance evaluation, or broader public accountability, which contradicts Principles 8 and 9 of the National Corporate Governance Code 2026 and contemporary public sector governance standards.¹⁸

¹³ National Corporate Governance Code 2026 (Zambia) Principles 1–9.

¹⁴ National Road Fund Act, Cap 381 of the Laws of Zambia.

¹⁵ Organisation for Economic Co-operation and Development, OECD Principles of Corporate Governance (OECD Publishing 2023) 15–22; National Corporate Governance Code 2026 (Zambia) Introduction and Principle 1.

¹⁶ National Corporate Governance Code 2026 (Zambia) Principles 2, 3 and 7.

¹⁷ *Road Fund Administration v Government of the Republic of Namibia* NAHC 219 (High Court of Namibia); National Corporate Governance Code 2026 (Zambia) Principle 1.

¹⁸ National Corporate Governance Code 2026 (Zambia) Principles 8 and 9; African Development Bank Group, *Africa's Development Dynamics 2025: Infrastructure, Growth and Transformation* (African Union Commission/OECD Publishing 2025) ch 1.

The absence of these statutory governance duties creates a gap between the NRFA's desired governance standards and those legally mandated by its enabling legislation. Unless the National Road Fund Act, Cap. 381 is amended to include modern governance principles, the governance implementation gap identified in this study is likely to persist, limiting accountability, transparency, institutional independence, and public trust in Zambia's road fund administration. This study aims to identify legal gaps and recommend revisions to reconcile the Act with the National Corporate Governance Code 2026 and current corporate governance concepts.¹⁹

1.4 Research Objectives

The overall goal of this research is to propose statutory revisions to the National Road Fund Act, Chapter 381 of the Laws of Zambia, to close the governance implementation gap and align the Act with the National Corporate Governance Code 2026.

1.4.1 Specific Objectives

- 1) To examine the extent to which Cap. 381 provides for board independence, ethics, and accountability against the ZNCG Code 2026.
- 2) To assess the effect of ministerial control under Cap. 381 on board autonomy and responsiveness to oversight.
- 3) To propose legislative amendments to Cap. 381 to close the governance implementation gap in line with the Code 2026.

1.5 Research Questions

- 1) To what extent does Cap. 381 provide for board independence, ethics, and accountability as required by the ZNCG Code 2026?
- 2) How does ministerial control under Cap. 381 affect board autonomy and responsiveness to oversight?
- 3) What amendments to Cap. 381 are required to close the governance implementation gap in accordance with the Code 2026?

¹⁹ State-Owned Enterprises Act; Mervyn E King, *Corporate Governance and ESG: A Common-Sense Approach to Sustainability* (2nd edn, Routledge 2024) 41–58.

1.6 Scope of the study

This study is limited to a doctrinal and analytical evaluation of the National Road Fund Act, Cap. 381 of the Laws of Zambia to determine the extent to which its governance provisions address the governance implementation gap under investigation.²⁰ The study assesses the Act against the outcome-based principles of the National Corporate Governance Code 2026, with particular emphasis on board independence, ethical governance and accountability, ministerial oversight and board autonomy, and transparency, governance reporting, and stakeholder participation.²¹

Methodologically, the study uses a desk-based doctrinal method, focusing solely on secondary sources. These include the National Road Fund Act, Cap. 381, the National Corporate Governance Code 2026, the State-Owned Enterprises Act No. 1 of 2026, the Public Finance Management Act, Cap. 347, the Public Procurement Act, Cap. 394, relevant judicial decisions, such as *Road Fund Administration v Government of the Republic of Namibia* NAHC 219, reports of the Office of the Auditor General and the Financial Intelligence Centre, and publicly available governance instruments of the National Road Fund Agency, including its Board Charter, Code of Ethics, Internal Audit Charter, and Whistleblower Policy.²²

The analysis is supported by scholarly literature published between 2023 and 2025 on corporate governance, statutory fund governance, board independence, and public sector accountability in Southern Africa.²³ Geographically, the study focuses on the Republic of Zambia, with the National Road Fund Agency serving as the single case study. Comparative references to international governance frameworks, such as the OECD Principles of Corporate Governance and the King IV Report on Corporate Governance for South Africa, are made only as needed to interpret and

²⁰ National Road Fund Act, Cap 381 of the Laws of Zambia.

²¹ National Corporate Governance Code 2026 (Zambia) Principles 1–9.

²² National Road Fund Act Cap 381; State-Owned Enterprises Act No 1 of 2026; Public Finance Management Act Cap 347; *Road Fund Administration v Government of the Republic of Namibia* NAHC 219.

²³ Mulenga M and Phiri L, 'Board Independence and Performance of Statutory Funds in Southern Africa' (2024) 18 *African Journal of Public Administration* 112; Chanda B, 'Political Control and Board Autonomy in Zambia's State-Owned Enterprises' (2023) 11 *Zambian Law Journal* 45; African Development Bank, *Road Sector Governance and Stakeholder Engagement in Africa* (AfDB 2025).

contextualize the National Corporate Governance Code 2026, and are not intended to be comprehensive comparative studies.²⁴

The study is confined to the period beginning with the adoption of the National Corporate Governance Code 2026 on the legal and governance framework that applies from the enactment of the National Corporate Governance Code on January 15, 2026 to the time of writing. It does not include any empirical fieldwork, interviews, questionnaires, or surveys, nor does it assess the governance practices of other statutory bodies or public institutions.

The study aims to identify statutory deficiencies in the National Road Fund Act, Cap. 381 that hinder governance implementation and propose legislative amendments to align with the National Corporate Governance Code 2026 and current public sector corporate governance principles.²⁵

1.7 Significance of the study

This study is crucial because it helps to shape Zambian corporate governance law by analyzing how well the National Road Fund Act, Cap. 381 corresponds with the outcome-based governance principles included in the National Corporate Governance Code 2026.²⁶ This research takes a doctrinal law reform approach, identifying statutory deficiencies that contribute to governance implementation gaps and proposing legislative amendments to address them. Previous studies have primarily focused on governance practices and institutional compliance.²⁷

The study is expected to advance legal scholarship by demonstrating that effective corporate governance inside statutory organizations necessitates the incorporation of governance principles into main law rather than depending primarily on administrative policies and internal governance tools.²⁸ The proposed statutory amendments strengthen board independence, ethical governance, institutional autonomy, transparency, and stakeholder accountability within the National Road

²⁴ Organisation for Economic Co-operation and Development, OECD Principles of Corporate Governance (OECD Publishing 2023); Institute of Directors in Southern Africa, King IV Report on Corporate Governance for South Africa (IoDSA 2016).

²⁵ National Corporate Governance Code 2026 (Zambia); National Road Fund Act, Cap 381 of the Laws of Zambia.

²⁶ National Corporate Governance Code 2026 (Zambia).

²⁷ National Road Fund Act, Cap 381 of the Laws of Zambia; State-Owned Enterprises Act No 1 of 2026.

²⁸ Organisation for Economic Co-operation and Development, OECD Principles of Corporate Governance (OECD Publishing 2023); Mervyn E King, Corporate Governance and ESG: A Common-Sense Approach to Sustainability (2nd edn, Routledge 2024).

Fund Agency. They also ensure that the enabling legislation reflects current corporate governance standards.²⁹

The report is also useful to policymakers, lawmakers, regulators, and public institutions since it makes realistic proposals for legislative reform that could be considered in future modifications to the National Road Fund Act, Cap. 381. More generally, the study adds to the continuing implementation of the National Corporate Governance Code 2026 by demonstrating how its concepts can be transformed into legally enforceable statutory responsibilities within Zambia's public sector governance framework.³⁰

1.8 Theoretical Framework

This research is based on Agency Theory and Stakeholder Theory, which explain the legislative cause of the governance implementation gap at the National Road Fund Agency.

1.8.1 Agency Theory

The Agency Theory serves as the foundation for investigating the connection between the principal (the public) and the agent (the NRFA Board and Management). The theory holds that governance arrangements must lower agency costs by maintaining board independence, restricting agent discretion, and requiring accountability.³¹ When applied to the NRF Act chapter 381, Agency Theory reveals two statutory deficits, first, the absence of mandatory independent non-executive directors and a statutory Code of Conduct allows agent self-interest to override public interest, contrary to Principles 2, 3, and 7 of the Code 2026.³² Second, Section 8's broad ministerial powers blur the principal-agent line, undermining board autonomy and accountability.³³

²⁹ National Corporate Governance Code 2026 (Zambia) Principles 1–9.

³⁰ State-Owned Enterprises Act No 1 of 2026; National Corporate Governance Code 2026 (Zambia).

³¹ M Mulenga and L Phiri, 'Board Independence, Agency Costs and Performance of Statutory Funds in Southern Africa' (2024) 18 African Journal of Public Administration 112.

³² Ministry of Justice (Zambia), National Corporate Governance Code 2026 (Ministry of Justice 15 January 2026) Principles 2, 3, 7.

³³ B Chanda, 'Political Control, Board Autonomy and Agency Problems in Zambia's State-Owned Enterprises' (2023) 11 Zambian Law Journal 45.

1.8.2 Stakeholder theory

This theory goes beyond the principal-agent relationship to include road users, civil society, and the business sector as legitimate stakeholders in public resource management.³⁴ According to the notion, statutory systems for openness and involvement are necessary to ensure responsive and accountable government for individuals affected by choices.³⁵ The lack of mandated governance reporting and a stakeholder forum in Cap. 381 restricts stakeholder accountability and contradicts Principles 8 and 9 of the Code 2026.³⁶

Accordingly, the combined lens of Agency Theory and Stakeholder Theory serves as normative rationale for the three draft modifications presented in Chapter Five: statutory board independence and ethics, limited ministerial power, and mandated transparency and stakeholder involvement. These amendments aim to bridge the implementation gap and connect Cap. 381 with the outcome-based approach of the National Corporate Governance Code 2026.

18.3 Relevance to the Study

Agency Theory and Stakeholder Theory, used combined, explain the legislative cause of the National Road Fund Agency's governance implementation gap and give a normative foundation for correction.

Agency Theory is relevant because it positions the NRFA Board and Management as public agents.³⁷ The argument demonstrates that Cap. 381's lack of obligatory independent directors, a legislative Code of Conduct, and limited ministerial powers increases agency costs by allowing self-interest and political meddling.³⁸ This immediately validates the proposed modifications, which establish statutory board independence and ethics while limiting government influence to policy areas.

³⁴ Ibid Principle 1; Road Fund Administration v Government of the Republic of Namibia NAHC 219 paras 42-47.

³⁵ African Development Bank, Road Sector Governance and Stakeholder Engagement in Africa (AfDB 2025) 34.

³⁶ Ministry of Justice (Zambia), National Corporate Governance Code (2026) (n32) 8.

³⁷ M Mulenga and L Phiri, 'Board Independence, Agency Costs and Performance of Statutory Funds in Southern Africa' (2024) (n34) 9

³⁸ National Road Fund Act Cap 381 ss 6, 8; Ministry of Justice (Zambia), National Corporate Governance Code 2026 (Ministry of Justice 15 January 2026) Principles 1, 2, 3, 7.

Stakeholder Theory is important because it acknowledges road users and civil society as genuine stakeholders in the administration of road user fees.³⁹ Mandatory governance disclosures and a Road Users' Consultative Forum are necessary to ensure accountability to those affected by Agency decisions. Cap. 381's lack of public governance reporting and stakeholder forums creates a statutory deficit that undermines accountability.⁴⁰

The combined application of these theories demonstrates that the National Road Fund Act, Cap. 381, is not outcome-based. The three draft adjustments proposed in Chapter Five are thus necessary to close the implementation gap and connect the Act with the National Corporate Governance Code 2026.

1.9 Literature Review

Recent research shows a shift in corporate governance from analyzing the presence of governance structures to evaluating the efficacy of governance outcomes, particularly within public institutions and statutory bodies. According to contemporary literature, accountability, board independence, ethical leadership, openness, and stakeholder participation are more important markers of effective governance than simply legislative conformity.⁴¹ This literature analysis focuses on three areas related to the study's objectives: board independence and ethical governance, ministerial monitoring and board autonomy, and openness, governance reporting, and stakeholder participation.

1.9.1 Board Independence, Ethics and Accountability

Contemporary corporate governance literature consistently emphasizes board independence as a critical safeguard against conflicts of interest, management dominance, and ineffective supervision. According to the OECD Principles of Corporate Governance, boards should have members who are independent, competent, and have the integrity to exercise objective judgment in the best interests of the organisation.⁴² King contends that good governance and ethical

³⁹ African Development Bank, Road Sector Governance and Stakeholder Engagement in Africa (AfDB 2025) 34.

⁴⁰ National Road Fund Act Cap 381 s 18; Ministry of Justice (Zambia), National Corporate Governance Code 2026 (n 38) Principles 8, 9.

⁴¹ *ibid*

⁴² Ministry of Justice (Zambia), National Corporate Governance Code 2026 (Ministry of Justice 15 January 2026) Principles 1, 2, 3, 7, 8, 9.

leadership require independent boards acting within a clear legislative framework that encourages accountability and responsible decision-making.⁴³

Recent study in the public sector suggests that statutory acknowledgment of board independence, competency criteria, and conflict-of-interest management improves institutional governance by lowering agency costs and increasing scrutiny.⁴⁴ However, much of the literature investigates governance practice rather than the quality of enabling legislation, leaving minimal study of whether legislative frameworks effectively integrate key governance concepts.

The foregoing literature demonstrates a gap however it does not examine whether Cap. 381 itself incorporates these governance principles.

1.9.2 Ministerial Oversight and Board Autonomy

The relationship between ministerial oversight and board autonomy remains a significant theme in public sector corporate governance. Recent studies contend that while ministers should retain responsibility for policy direction, operational decision-making should remain the responsibility of independent governing boards to preserve accountability and institutional effectiveness.⁴⁵ Excessive ministerial discretion has been identified as a recurring cause of weakened governance within state-owned enterprises because it obscures responsibility for organisational performance and undermines board independence.⁴⁶

Comparative jurisprudence backs up this position. In *Road Fund Administration v. Government of the Republic of Namibia* NAHC 219, the court recognized the necessity of preserving public institutions' statutory autonomy and restricting executive interference where legislation established an independent governance structure.⁴⁷ However, there has been scant research on whether Zambia's National Road Fund Act, Cap. 381 appropriately protects board autonomy in view of current governance norms.

⁴³ M Mulenga and L Phiri, 'Board Independence, Agency Costs and Performance of Statutory Funds in Southern Africa' (2024) 18 *African Journal of Public Administration* 112.

⁴⁴ B Chanda, 'Political Control, Board Autonomy and Agency Problems in Zambia's State-Owned Enterprises' (2023) 11 *Zambian Law Journal* 45.

⁴⁵ Ministry of Justice (Zambia), *National Corporate Governance Code 2026* (n42).

⁴⁶ *National Road Fund Act* Cap 381 ss 6, 7.

⁴⁷ Chanda (n 44).

1.9.3 Transparency, Governance Reporting and Stakeholder Participation

Governance reporting and stakeholder interaction are widely recognized as critical components of accountable public administration. The African Development Bank recognizes that open governance reporting and organized stakeholder interaction boost public trust, improve institutional accountability, and promote long-term infrastructure governance.⁴⁸ Similarly, the National Corporate Governance Code 2026 encourages public institutions to provide governance information beyond standard financial reporting and engage stakeholders meaningfully.⁴⁹

Although existing research highlights the significance of these governance systems, insufficient emphasis has been made to whether statutory road fund legislation appropriately includes governance reporting obligations and stakeholder participation as enforceable legal duties. As a result, the literature gives only limited direction for legislative reform in this area.

1.9.4 Gap in the Literature

The examined research shows that board independence, ethical governance, institutional autonomy, transparency, and stakeholder participation are all necessary components of good corporate governance. It also emphasizes the growing relevance of incorporating these concepts into public-sector governance models.

However, the literature has not specifically assessed the effectiveness of the National Road Fund Act, Cap. 381 in implementing the National Corporate Governance Code 2026's outcome-based requirements, nor has it offered legislative revisions to align the Act with those standards. This paper fills that vacuum by conducting a doctrinal analysis of the National Road Fund Act, Cap. 381 and recommending statutory revisions to improve corporate governance at the National Road Fund Agency.

1.10 Methodology

1.10.1 Research Design

This study employs a doctrinal legal research design, complemented with analytical and limited comparative methods. Doctrinal legal research is acceptable since the study aims to identify,

⁴⁸ Road Fund Administration v Government of the Republic of Namibia NAHC 219 paras 42-47.

⁴⁹ Ministry of Justice (Zambia), National Corporate Governance Code 2026 (n 42) Principle 1.

interpret, and assess the legal standards governing corporate governance under the National Road Fund Act (Cap. 381 of the Laws of Zambia, and to examine if such regulations sufficiently reflect the outcome-based governance concepts outlined by the National Corporate Governance Code 2026. The study is thus focused on the interpretation, coherence, and sufficiency of the current legal framework rather than the collection of empirical data.

The analytical method is used to critically assess the governance requirements of the National Road Fund Act, Cap. 381 against the standards outlined in the National Corporate Governance Code 2026. The statutory provisions relating to board independence and ethical governance, ministerial monitoring and board autonomy, openness, governance reporting, and stakeholder participation receive special attention.⁵⁰ The analysis also examines the relationship between the National Road Fund Act, the State-Owned Enterprises Act No. 1 of 2026, the Public Finance Management Act, Cap. 347, and the National Road Fund Agency's publicly available governance instruments, such as the Board Charter, Code of Ethics, Internal Audit Charter, and Whistleblower Policy.⁵¹

A limited comparative method is used primarily to aid in the interpretation of modern governance concepts relevant to statutory organizations. Comparative materials are employed as examples rather than as distinct objects of study. In particular, *Road Fund Administration v Government of the Republic of Namibia* NAHC 219 is used to demonstrate judicial recognition of institutional autonomy in the governance of statutory road funds, while selected African Development Bank publications are used to contextualize contemporary approaches to governance reporting and stakeholder engagement in the transportation sector.⁵²

The research is purely desk-based and draws solely on documentary sources. The primary legal sources are the National Road Fund Act, Cap. 381, the National Corporate Governance Code 2026, the State-Owned Enterprises Act No. 1 of 2026, the Public Finance Management Act, Cap. 347,

⁵⁰ Terry Hutchinson, *Researching and Writing in Law* (5th edn, Lawbook Co 2024); Mike McConville and Wing Hong Chui (eds), *Research Methods for Law* (3rd edn, Edinburgh University Press 2024).

⁵¹ State-Owned Enterprises Act No 1 of 2026; Public Finance Management Act, Cap 347 of the Laws of Zambia; Public Procurement Act, Cap 394 of the Laws of Zambia.

⁵² *Road Fund Administration v Government of the Republic of Namibia* NAHC 219; African Development Bank Group, *Africa's Development Dynamics 2025: Infrastructure, Growth and Transformation* (African Union Commission/OECD Publishing 2025).

the Public Procurement Act, Cap. 394, and pertinent judicial decisions. Secondary sources include peer-reviewed books and journal articles published between 2023 and 2025, reports issued by the Office of the Auditor General and the Financial Intelligence Centre, publications of the African Development Bank, and other authoritative materials on corporate governance and public sector accountability.⁵³

Because the research focuses on statutory interpretation and legislative reform rather than institutional behaviour or stakeholder perceptions, no empirical data were obtained via interviews, questionnaires, or surveys. The doctrinal methodology is therefore appropriate because it allows for a systematic examination of the existing legal framework, the identification of legislative deficiencies where they exist, and the formulation of recommendations for statutory reform in accordance with the National Corporate Governance Code 2026 and contemporary corporate governance principles.⁵⁴

1.11 Conclusion

This chapter began the research by outlining the legal, policy, and institutional backdrop for the examination of the National Road Fund Agency's (NRFA) corporate governance.⁵⁵ The National Corporate Governance Code 2026 highlights the growing importance of governance outcomes, such as accountability, board independence, ethical leadership, transparency, and stakeholder participation.⁵⁶ The chapter has also addressed the fundamental research challenge concerning the extent to which the National Road Fund Act, Cap. 381 of the Laws of Zambia sufficiently incorporates these contemporary governance ideas inside its statutory framework.⁵⁷

⁵³ Office of the Auditor General, Report of the Auditor General on the Accounts of Parastatal Bodies and Other Statutory Institutions (latest available edition); Financial Intelligence Centre, Trends Report (latest available edition); Organisation for Economic Co-operation and Development, OECD Principles of Corporate Governance (OECD Publishing 2023).

⁵⁴ Terry Hutchinson, *Researching and Writing in Law* (5th edn, Lawbook Co 2024) (n 50) 13

⁵⁵ National Road Fund Act, Cap 381 of the Laws of Zambia.

⁵⁶ National Corporate Governance Code 2026 (Zambia).

⁵⁷ National Road Fund Act, Cap 381 of the Laws of Zambia; State-Owned Enterprises Act No 1 of 2026.

The chapter also described the study's purpose and objectives, specified its scope, and justified the use of a doctrinal legal research design backed by analytical and limited comparative methods.⁵⁸ The research examines the National Road Fund Act, Cap. 381, relevant governance legislation, the National Corporate Governance Code 2026, judicial authority, and other documentary sources to evaluate the adequacy of the existing legal framework and consider legislative reform.⁵⁹

As a result, the next chapters are built on the foundation laid by this one. Chapter Two investigates the theoretical and legal frameworks that control corporate governance and public sector accountability. Chapter Three examines the legislative and institutional structure that governs the National Road Fund Agency. Chapter Four compares the governance provisions of the National Road Fund Act, Cap. 381 to the National Corporate Governance Code 2026, determining the extent to which the Act represents current governance standards. Finally, Chapter Five summarizes the study's findings and proposals for legislative reform to strengthen corporate governance at the National Road Fund Agency.⁶⁰

⁵⁸ Terry Hutchinson, *Researching and Writing in Law* (5th edn, Lawbook Co 2024) (n50) 13

⁵⁹ Public Finance Management Act, Cap 347 of the Laws of Zambia; Public Procurement Act, Cap 394 of the Laws of Zambia; *Road Fund Administration v Government of the Republic of Namibia* NAHC 219.

⁶⁰ Organisation for Economic Co-operation and Development, *OECD Principles of Corporate Governance* (OECD Publishing 2023); *National Corporate Governance Code 2026* (Zambia).

CHAPTER TWO

LEGAL AND THEORETICAL FRAMEWORK FOR GOVERNANCE IMPLEMENTATION IN PUBLIC STATUTORY BODIES

2.1 INTRODUCTION

This chapter investigates the legal and theoretical framework for corporate governance in public statutory entities. It defines the governance standards that will be used to review the National Road Fund Act, Cap. 381, in Chapter Four. The National Corporate Governance Code 2026 emphasizes outcome-based governance, which includes board independence, ethical leadership, institutional autonomy, openness, governance reporting, and stakeholder responsibility. These principles serve as a benchmark for determining whether the National Road Fund Act adequately promotes effective governance implementation.

Quasi-governmental institutions refer to statutory or semi-autonomous public bodies established by government to perform public functions while operating with a degree of administrative and financial independence.⁶¹ These organizations, which are typically established by law, are required to carry out specific public duties while nevertheless being subject to differing levels of governmental scrutiny and accountability.⁶² These methods are intended to ensure that institutions operate efficiently, ethically, and within established legal and regulatory frameworks.⁶³

They ensure that decisions are in line with stakeholder expectations and legal requirements by operating through both internal and external organizations. Boards of directors, audit committees, and internal control systems are examples of internal mechanisms; legal frameworks, independent audits, and regulatory monitoring are examples of external mechanisms. When combined, these elements form the cornerstone of good institutional governance⁶⁴.

⁶¹ M J Trebilcock and M Prado, *Advanced Introduction to Law and Development* (Edward Elgar Publishing 2014) 87.

⁶² Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (OECD Publishing 2015) 14–16.

⁶³ Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019) 16.

⁶⁴ Organisation for Economic Co-operation and Development (OECD), *G20/OECD Principles of Corporate Governance* (OECD Publishing 2015).

2.1.2 Theoretical Foundations

A number of theoretical frameworks that describe how organizations should be managed and observed serve as the foundation for the function of corporate governance procedures. According to agency theory, conflicts of interest develop between principals (such as the public or shareholders) and agents (management), requiring governance tools to keep an eye on and match managerial behavior with organizational goals.⁶⁵ By acknowledging that organizations have obligations to a broader group of stakeholders, such as employees, regulators, and the public, Stakeholder Theory, on the other hand, expands the scope of governance and emphasizes ethical behavior and responsibility.⁶⁶ Furthermore, governance methods should promote trust, leadership, and long-term success rather than just control, according to Stewardship Theory, which contends that managers can function as stewards of organizational interests.⁶⁷

2.1.3 Outcome-Based Corporate Governance Principles

Different institutional structures are implemented within corporate governance systems, each serving a unique yet complementary function. The board of directors is essential to governance because it offers responsibility, supervision, and strategic direction. It guarantees that management upholds organizational integrity while acting in the organization's and its stakeholders' best interests.⁶⁸ By supervising financial reporting, keeping an eye on internal controls, and guaranteeing adherence to regulatory standards, audit and risk committees further reinforce governance. These panels are essential for identifying anomalies and reducing the dangers of financial malfeasance⁶⁹.

Incorporating accountability into daily operations requires both internal control systems and compliance mechanisms, such as organizational policies and codes of conduct. They offer organized protocols that direct behavior and guarantee compliance with moral and legal

⁶⁵ Michael C Jensen and William H Meckling, 'Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure' (1976) 3 Journal of Financial Economics 305.

⁶⁶ R Edward Freeman, Strategic Management: A Stakeholder Approach (Pitman 1984).

⁶⁷ James H Davis, F David Schoorman and Lex Donaldson, 'Toward a Stewardship Theory of Management' (1997) 22 Academy of Management Review 20.

⁶⁸ OECD (n 19)10

⁶⁹ *ibid.*

requirements.⁷⁰ By independently evaluating organizational performance and compliance, external governance mechanisms like independent auditors and oversight organizations like the Office of the Auditor General Zambia and the Anti-Corruption Commission Zambia offer an extra degree of scrutiny.⁷¹

Outcome-based governance necessitates statutory systems that ensure independent scrutiny, financial accountability, and ethical decision-making.

2.1.4 Role in Promoting Accountability and Transparency

Corporate governance practices are essential for encouraging responsibility and openness in businesses. They guarantee that decision-makers are held accountable for their deeds and that organizational operations are examined. Financial reporting, audits, and disclosure requirements are examples of mechanisms that promote transparency and allow stakeholders to evaluate the performance of an organization.⁷² In this situation, transparency increases confidence, fortifies institutional legitimacy, and lessens the possibility of corruption.

Accountability is thus dependent not only on governance mechanisms, but also on law that imposes enforceable governance requirements.

2.1.5 Ethical Governance as a Component of Outcome-Based Corporate Governance

Contemporary corporate governance acknowledges ethical governance as a critical component of efficient institutional administration. Modern governance frameworks evaluate institutions not only based on their governance structures, but also on how well such structures promote ethical decision-making, accountability, transparency, and public trust. As a result, ethical governance has progressed from a matter of organizational culture to a critical governance outcome that must be backed by enforceable legal and institutional measures. The National Corporate Governance Code 2026 reflects this outcome-based approach by mandating public institutions to include ethical

⁷⁰ World Bank, Corporate Governance of State-Owned Enterprises: A Toolkit (World Bank 2014).

⁷¹ Office of the Auditor General, Report of the Auditor General on the Accounts of the Republic of Zambia (Government Printer, various years); Zambia, Anti-Corruption Commission, Annual Report (various years).

⁷² OECD (n19)10

leadership, integrity, accountability, and responsible decision-making into their governance systems via well-defined statutory and institutional frameworks.⁷³

A Code of Conduct is an important tool for promoting ethical governance. A Code of Conduct sets the expected behavior of board members, management, and staff, as well as guidelines for ethical leadership, integrity, impartiality, confidentiality, and responsibility. It also defines acceptable decision-making criteria and methods for identifying and sanctioning ethical wrongdoing. According to contemporary governance literature, a Code of Conduct promotes consistency in decision-making and strengthens public trust in institutional governance.⁷⁴ However, where such codes exist purely as internal administrative policies without legislative acknowledgment, their efficacy is heavily reliant on institutional commitment rather than enforceable legal responsibilities.⁷⁵

Ethical governance necessitates high levels of board ethics. In addition to strategic oversight, boards are expected to display ethical leadership by acting independently, exercising objective judgment, avoiding conflicts of interest, and fostering an integrity culture throughout the institution. Ethical boards set the tone at the top by ensuring that governance decisions are based on accountability, fairness, openness, and the public good, rather than personal or political interests. Contemporary governance study increasingly emphasizes that board effectiveness is dependent not only on technical skill, but also on the ethical principles shown by directors in the performance of their fiduciary duties.⁷⁶

Collectively, these governance mechanisms illustrate that ethical governance is achieved not merely through the adoption of governance policies but through institutional arrangements that embed ethical obligations within the governance framework. Consequently, modern public sector governance increasingly favours statutory governance provisions that require codes of conduct, conflict-of-interest management, ethical leadership, and board accountability as legally enforceable governance obligations rather than voluntary administrative practices. This outcome-

⁷³ National Corporate Governance Code 2026 (Zambia) Principles 2, 3 and 7; Organisation for Economic Co-operation and Development, *OECD Principles of Corporate Governance* (OECD Publishing 2023).

⁷⁴ Mervyn E King, *Corporate Governance and ESG: A Common-Sense Approach to Sustainability* (2nd edn, Routledge 2024) 74–86; OECD (n 1).

⁷⁵ National Corporate Governance Code 2026 (Zambia) Principle 7; OECD (n 73).

⁷⁶ Mervyn E King (n 2) 95–112; OECD (n 74).

based approach provides the benchmark against which the governance provisions of the National Road Fund Act, Cap. 381 are assessed in the subsequent chapters of this study.

2.1.6 Governance Risk and Institutional Accountability

Another important element of corporate governance procedures is risk management and control. These tools help organizations detect, assess, and reduce risks that could jeopardize operational efficiency and sustainability. Implementing internal controls and structured risk management systems can help organizations reduce financial irregularities and governance failures. Effective governance systems improve long-term performance and organizational resilience.⁷⁷ Thus, long-term performance and organizational resilience are enhanced by effective governance structures.

Risk management frameworks, audit committees, internal audit systems, compliance units, and board oversight mechanisms are all critical for supporting good institutional governance. These procedures aid organizations in spotting flaws in their operational and financial systems while also ensuring that corrective steps are performed immediately. Organisations that provide sufficient supervision and monitoring are better positioned to protect institutional assets, preserve public trust, and ensure compliance with legal and regulatory requirements.⁷⁸

Additionally, corporate governance processes promote transparency and informed decision-making by ensuring that management actions are monitored and scrutinized. Strong governance systems encourage responsible leadership and strategic planning, lowering the risk of governance failures and organisational collapse. In many jurisdictions, the lack of efficient governance and risk management systems has contributed to business scandals, financial crises, and institutional failures caused by weak monitoring, abuse of authority, and insufficient accountability measures.⁷⁹ Furthermore, governance structures have a substantial impact on organisational resilience and long-term institutional success. Institutions that implement effective risk management methods are better able to deal with economic uncertainty, operational interruptions, and growing governance

⁷⁷ Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2022) 245–250.

⁷⁸ Christine A Mallin, *Corporate Governance* (6th edn, Oxford University Press 2019) 170–178.

⁷⁹ Organisation for Economic Co-operation and Development (OECD), *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 45–52.

issues. As a result, sound governance frameworks not only promote internal accountability, but they also improve organizational stability, stakeholder confidence, and long-term institutional growth.⁸⁰

2.1.7 Legislative governance mechanisms

Contemporary study increasingly recognises that institutions may have formal governance procedures yet fail to achieve substantive governance outcomes. This problem is often referred to as a governance implementation gap. Despite their relevance, corporate governance mechanisms face problems. The effectiveness of governance institutions is frequently compromised by weak enforcement mechanisms, regulatory gaps, insufficient institutional capacity, and inadequate oversight. Many businesses, particularly those in the public sector, may have governance structures in place yet fail to function successfully owing to a lack of resources, technical knowledge, and inadequate implementation of established rules and procedures.⁸¹ Furthermore, managerial influence and institutional pressures can undermine the independence and efficacy of governance systems, especially in public organizations where decision-making processes may be influenced by competing organizational interests. Such influence may undermine accountability systems, reduce transparency, and jeopardize organizations' capacity to function in compliance with established governance principles and ethical norms.⁸² Governance entities, including boards, audit committees, and compliance units, may face issues in independent scrutiny due to influence from senior management or internal institutional structures.

Furthermore, many companies implement governance frameworks solely to meet legal, regulatory, or institutional requirements, without exhibiting a genuine commitment to the underlying ideals of accountability, integrity, and transparency. As a result, there is often a large disparity between governance policies and actual institutional practice. Governance procedures may thus become symbolic or formalistic, existing just on paper while unethical behavior, poor decision-making,

⁸⁰ Jill Solomon, *Corporate Governance and Accountability* (5th edn, John Wiley & Sons 2020) 89–95.

⁸¹ Christine A Mallin, *Corporate Governance* (6th edn, Oxford University Press 2019) 221–225.

⁸² Jill Solomon, *Corporate Governance and Accountability* (5th edn, John Wiley & Sons 2020) 112–118.

and noncompliance persist in practice.⁸³ This issue has been widely critiqued in corporate governance literature as "box-ticking" compliance, in which institutions prioritise procedural compliance over substantive governance effectiveness.⁸⁴

As a result, the sheer existence of governance processes does not ensure effective governance or ethical institutional conduct. Effective corporate governance necessitates strong leadership commitment, institutional independence, effective enforcement, ongoing monitoring, and a culture that fosters accountability and ethical responsibility at all levels of an organization.⁸⁵

2.1.8 Governance Implementation Gap

In the quasi-governmental institutions and the public sector, corporate governance mechanisms are particularly important in ensuring accountability in the management of public resources. They encourage openness in decision-making procedures and make it easier to adhere to legal standards. However, bureaucratic inefficiencies, political influence, and lax enforcement of ethical standards are some of the particular difficulties that public organizations frequently encounter. As such, the effectiveness of governance mechanisms in this context depends not only on their design but also on their practical implementation.

As a result, statutory organizations require enabling legislation that converts governance concepts into legally enforceable requirements, rather than depending merely on administrative practice.

2.1.9 Comparative Perspectives

Both Kenya and South Africa have taken somewhat innovative approaches to corporate governance and ethical frameworks within quasi-governmental institutions and public entities. Their governance systems emphasize accountability, transparency, ethical leadership, stakeholder participation, and institutional supervision as critical components of good public administration. These methodologies offer valuable comparative insights for assessing governance and ethical compliance processes in public institutions like the National Road Fund Agency.

⁸³ Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019) 102–106.

⁸⁴ Organisation for Economic Co-operation and Development (OECD), *G20/OECD Principles of Corporate Governance* (OECD Publishing 2023) 15–18.

⁸⁵ Andrew Crane and Dirk Matten, *Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization* (5th edn, Oxford University Press 2016) 154–160.

In Kenya, corporate governance within state companies and quasi-public institutions is primarily directed by the Mwongozo Code of Governance for State companies, which was implemented to improve accountability, ethical leadership, and institutional performance in public entities. The Code defines requirements for board independence, integrity, openness, risk management, financial accountability, and ethical behavior by public officials.⁸⁶ The Kenyan framework emphasizes ethical leadership and institutional integrity through constitutional and statutory mechanisms, particularly under the Constitution of Kenya 2010 and the Leadership and Integrity Act 2012. Public officers must conduct themselves in a manner that promotes public confidence, accountability, and professionalism.⁸⁷

Kenya has also enhanced ethical compliance measures through institutions like the Ethics and Anti-Corruption Commission, which plays an important role in preventing corruption, investigating misbehavior, and promoting ethical norms in public institutions. Governance reforms in Kenya have so worked to guarantee that quasi-government entities operate transparently while remaining accountable for the management of public resources.⁸⁸ Despite improvements, experts have identified issues such as implementation gaps, insufficient enforcement, institutional intervention, and contradictions between stated governance frameworks and real practice.⁸⁹

Similarly, South Africa has created one of the most significant corporate governance systems on the African continent through the King Reports on Corporate Governance, particularly the King IV Report on Corporate Governance. The King IV framework encourages ethical and effective leadership, stakeholder inclusion, accountability, transparency, and long-term institutional governance in both private and public sector organizations.⁹⁰ South Africa's governance model prioritizes ethical culture, responsible leadership, and organizational integrity over regulatory conformity.

⁸⁶ Government of Kenya, Mwongozo: The Code of Governance for State Corporations (State Corporations Advisory Committee 2015) 12–25.

⁸⁷ Constitution of Kenya 2010 arts 10 and 73; Leadership and Integrity Act 2012 (Kenya).

⁸⁸ Ethics and Anti-Corruption Commission Act 2011 (Kenya).

⁸⁹ Peter Kiguru Kiarie, 'Corporate Governance Practices in Kenyan State Corporations' (2020) 8(2) African Journal of Business Management 45, 51–54.

⁹⁰ Institute of Directors in Southern Africa, King IV Report on Corporate Governance for South Africa 2016 (IoDSA 2016) 20–37.

Audit committees, risk management systems, whistleblower protections, ethical management structures, and independent monitoring bodies are examples of governance mechanisms used in South African public institutions and state-owned companies to improve accountability and reduce corruption risks.⁹¹ The paradigm also encourages institutions to include ethical governance into strategic decision-making processes, rather than viewing ethics as a formal compliance requirement. Nonetheless, South Africa continues to suffer governance concerns inside specific public institutions, such as governance failures, inadequate accountability systems, and implementation difficulties caused by inefficient monitoring and institutional shortcomings.⁹²

The experiences of Kenya and South Africa show that, while formal governance and ethical frameworks are important in improving accountability and institutional integrity, their effectiveness is ultimately determined by practical implementation, institutional independence, leadership commitment, and consistent enforcement mechanisms. These comparative approaches offer useful recommendations for improving corporate governance and ethical compliance systems in Zambia's quasi-government institutions.

These jurisdictions demonstrate how governance ideas can be integrated into legislative governance frameworks.

2.1.10 Gap in Literature

Although recent literature acknowledges the importance of board independence, institutional autonomy, governance reporting, and stakeholder participation, there has been little attention paid to whether Zambia's National Road Fund Act, Cap. 381 adequately incorporates these principles into its statutory framework. Existing research mostly evaluates governance practices rather than the legislative framework governing statutory entities. As a result, this research has focused on the governance implementation gap, which occurs when current governance ideals are reflected in policy instruments but not anchored in enabling laws. This study fills that gap by conducting a doctrinal analysis of the National Road Fund Act, Cap. 381 in light of the National Corporate

⁹¹ Public Finance Management Act 1999 (South Africa); Protected Disclosures Act 2000 (South Africa).

⁹² Mervyn King, The King Report on Corporate Governance for South Africa (Institute of Directors Southern Africa 2016) 41–48.

Governance Code 2026 and proposing legislative revisions to improve governance implementation.

2.2 Conclusion

This chapter studied the legal and theoretical framework that supports outcome-based corporate governance in public statutory organizations. It has demonstrated that contemporary corporate governance goes beyond the existence of formal governance structures to focus on governance outcomes such as accountability, board independence, ethical leadership, institutional autonomy, transparency, governance reporting, and stakeholder participation. These principles are represented in the National Corporate Governance Code 2026, which serves as the benchmark for reviewing governance implementation in public entities.⁹³

The chapter went on to look at the three main ideas that drive corporate governance: Agency Theory, Stakeholder Theory, and Stewardship Theory, and how they apply to statutory organizations' governance. It also looked at the role of governance tools such codes of conduct, conflict-of-interest management, board ethics, governance reporting, and monitoring frameworks in supporting good institutional governance. Comparative perspectives from Kenya and South Africa highlight the growing emphasis on incorporating governance concepts into legislative and institutional frameworks to improve accountability, transparency, and public trust.⁹⁴

The chapter also highlighted a gap in the existing literature. While recent study acknowledges the significance of outcome-based corporate governance, little emphasis has been paid to whether Zambia's enabling legislation for statutory bodies appropriately incorporates these governance principles. Existing research has focused mostly on governance practices and institutional compliance, rather than the legal framework that controls their implementation. This study fills that vacuum by assessing whether the National Road Fund Act, Cap. 381 offers a suitable legal

⁹³ National Corporate Governance Code 2026 (Zambia); Organisation for Economic Co-operation and Development, OECD Principles of Corporate Governance (OECD Publishing 2023).

⁹⁴ Government of Kenya, Mwongozo Code of Governance for State Corporations (2015); Institute of Directors in Southern Africa, King IV Report on Corporate Governance for South Africa (IoDSA 2016); Mervyn E King, Corporate Governance and ESG: A Common-Sense Approach to Sustainability (2nd edn, Routledge 2024).

framework for carrying out the governance principles outlined in the National Corporate Governance Code 2026.⁹⁵

After establishing the legal, theoretical, and comparative foundation for the study, the following chapter investigates the legislative and institutional framework that governs the National Road Fund Agency. It examines the governance requirements of the National Road Fund Act, Cap. 381 as well as the Agency's primary governance tools to define the existing statutory framework prior to conducting a critical review of the governance implementation gaps.

⁹⁵ National Road Fund Act, Cap. 381 of the Laws of Zambia; State-Owned Enterprises Act No. 1 of 2026; National Corporate Governance Code 2026 (Zambia).

CHAPTER THREE

LEGISLATIVE AND INSTITUTIONAL FRAMEWORK GOVERNING THE NATIONAL ROAD FUND AGENCY

3.1 INTRODUCTION

This chapter investigates the legislative and institutional structure controlling the National Road Fund Agency under the National Road Fund Act, Chapter 381. It examines the Act's statutory governance mechanisms, as well as the Agency's key governance instruments, such as the Board Charter, Code of Ethics, Internal Audit Charter, and Whistleblower Policy. The goal of this chapter is not to analyze governance effectiveness, but rather to provide the existing statutory framework against which the governance implementation gap indicated in Chapter Four will be measured.

It examines the institutional systems, policies, and procedures used by the Agency to ensure accountability, transparency, integrity, and compliance in the performance of its mandate. Through a qualitative examination of the institutional documents that are currently available, such as corporate policies, governance frameworks, and constitutive instruments, this chapter investigates the NRFA's corporate governance procedures. The formally established ethical norms and values outlined in these papers receive special attention. The chapter evaluates the degree to which ethical values are incorporated into prescribed decision-making processes, examines the governance structures and procedures offered therein, and emphasizes the difficulties and constraints associated with evaluating ethical compliance based only on documentary sources.

The analysis is guided by the broader research purpose of determining how governance and ethics interact to shape the NRFA's efficacy and credibility. The chapter delves into the agency's governance framework, examines the ethical standards and ideals it promotes, and evaluates how these are put into reality. Furthermore, it identifies the existing arrangements' strengths and limitations, placing the discussion in the context of both Zambia's public sector and international best practices.

3.2 Statutory Governance Framework under the National Road Fund Act

The National Road Fund Act⁹⁶ created the National Road Fund Agency, a legislative agency in charge of handling the road fund revenues. The National Road Fund Agency's operations are governed by the Public Finance Management Act Chapter 347⁹⁷, which requires public institutions to be fiscally prudent, transparent, and accountable, as well as sector-specific legislation such as the National Road Fund Act Chapter 381 and other road sector regulatory instruments. The Ministry of Finance and National Planning, as the responsible portfolio Ministry, provides institutional oversight, particularly in the areas of policy supervision and recommendations for appointments to the Board of Directors under sections 5 and 6 of the National Road Fund Act.

The National Road Fund Agency's governance structure is based on three separate yet complementary pillars. First, the Board of Directors provides strategic direction and oversight, while senior management is in charge of the Agency's day-to-day operations. Second, the governance support pillar is made up of specialised committees that assist the Board in areas like as audit, risk management, human resources, and finance, allowing for more focused monitoring and informed decision-making. Third, the assurance and accountability pillar includes systems like financial reporting, internal and external audits, and compliance monitoring, all of which are designed to protect public resources and ensure compliance with legal and regulatory requirements. Collectively, these three pillars encourage transparency and accountability, and efficiency in the management and utilisation of public funds.

The National Road Fund Agency ensures transparency, accountability, and efficiency in the management and use of public funds by coordinating the operation of its governance, oversight, and assurance systems. First, openness is fostered by statutory financial reporting requirements, annual budgeting processes, and the release of audited financial accounts, which allow stakeholders and the general public to evaluate how road user revenues and other monies are collected and used. The necessity to keep good books of account and make reports to the appropriate authorities promotes financial transparency⁹⁸.

⁹⁶ NRF Act Cap 381 (n22)6

⁹⁷ Public Finance Management Act (n16)6

⁹⁸ National Road Fund Act (n20)8

Second, accountability is achieved through the Board of Directors' supervision, governmental oversight, legislative examination, and internal and external auditing processes. Internal audit functions examine internal controls, risk management systems, and compliance processes, whereas the Office of the Auditor General conducts independent audits of the Agency's accounts and presents findings to the National Assembly. These measures ensure that officers entrusted with public resources are accountable for their decisions and actions⁹⁹. Third, procurement¹⁰⁰ controls, project assessment systems, budget monitoring, and performance management frameworks that guarantee funds are allocated to priority road infrastructure and maintenance programmes help to improve efficiency in the use of public funds. The Agency aims to reduce waste, prevent irregular expenditure, and maximize value for money in the road sector by tying spending to approved programs and monitoring outcomes.

As a result, the interaction of governance leadership, specialized committees, and assurance systems allows the National Road Fund Agency to pursue prudent financial management accordance with the principles of good corporate governance in the public sector.

Although Cap.381 created the Agency, it provides few laws controlling ethical conduct. As a result, administrative tools such as the Code of Ethics and the Integrity Committee play a key role in implementing ethical governance. Contemporary governance studies see ethics as a critical component of good governance because formal laws alone are insufficient in the absence of values-based leadership and institutional accountability. Bob Tricker observes that effective governance necessitates not only control systems, but also ethical behaviour by individuals in positions of responsibility.¹⁰¹ Similarly, the Organization for Economic Cooperation and Development recognizes honesty, transparency, accountability, and responsible leadership as key norms for public institutions¹⁰².

⁹⁹ Public Finance Management Act (n16)6

¹⁰⁰ Public Procurement Act (n17)6

¹⁰¹ Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019) 78.

¹⁰² Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (4th edn, Oxford University Press 2019); Organisation for Economic Co-operation and Development, *OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises* (OECD Publishing 2024).

The National Road Fund Agency's ethical principles are reflected in its legislative mandate to manage public resources prudently and in the public good pursuant to the National Road Fund Act section 4.¹⁰³ As a public institution managing road user revenues and other public funds, the Agency is expected to operate with integrity, openness, and accountability in accordance with the Public Finance Management Act chapter 347, which imposes duties of financial discipline, internal controls, and responsible stewardship of state resources¹⁰⁴.

It is also consistent with good governance practice that the Agency maintains internal human resource policies, codes of conduct, and administrative processes that establish anticipated behavior for employees, management, and board members. Such mechanisms typically encourage professionalism, the avoidance of conflicts of interest, secrecy, impartiality, and the prudent use of public resources. Kaptein Muel contends that ethical standards are effective when they are backed up by leadership example, enforcement measures, and organizational culture¹⁰⁵.

Transparency is critical in enhancing public trust and ensuring effective governance. The NRFA adopts practices such as regular publication of financial reports and stakeholder engagement forums as mechanisms to uphold transparency.¹⁰⁶ Public disclosure of information regarding fund allocations and project outcomes helps in mitigating corruption and fostering accountability.

Accountability mechanisms are essential to ensuring that the NRFA's management is answerable to stakeholders regarding its operations and financial management. The agency participates in audit processes conducted by the Office of the Auditor General, which assesses the effectiveness and efficiency of fund utilization.¹⁰⁷ This external scrutiny contributes to maintaining high ethical standards.

Ethical standards and leadership are integral to corporate governance, as they are posited that the leadership of the NRFA has demonstrated a commitment to ethical governance through support

¹⁰³ National Road Fund Act (n20)8

¹⁰⁴ Public Finance Management Act (n16)6

¹⁰⁵ Muel Kaptein, 'Developing and Testing a Measure for the Ethical Culture of Organizations: The Corporate Ethical Virtues Model' (2024) 29(7) Journal of Organizational Behavior 923.

¹⁰⁶ National Road Fund Act (n38) 17

¹⁰⁷ Government of Zambia "Annual Report on Public Financial Management" (Lusaka: Government Printer 2020)

for employee training on ethical standards and organizational values.¹⁰⁸ Leadership integrity affects the overall corporate culture and can influence the behavior of employees at all levels.

The National Road Fund Agency of Zambia plays a crucial role in infrastructure development, with corporate governance practices that emphasize ethical standards and values. While the NRFA has made significant efforts to promote transparency, accountability, and ethical leadership, challenges remain that necessitate ongoing attention to improve governance practices.

3.3 Board Governance

The NRFA is governed by a Board of Directors,¹⁰⁹ which is responsible for strategic oversight and responsibility in the use of road sector funds. Its composition aims to strike a balance between technical expertise and stakeholder representation, in line with international best practices.

3.3.1 Board Composition and Structure

3.3.1.1 Membership

The NRFA Board is made up of individuals from both the public and private sectors, ensuring a diverse spectrum of experience, the composition of the NRFA board of Directors is provided for under section 5(1) of the NRF Act chapter 381, consisting of one Member of the public – serving as Chairperson, and one representative from each of the following institutions Zambia Institute of Chartered Accountants (ZICA), Truckers Association of Zambia , Ministry of Finance & National Planning , Economics Association of Zambia, Ministry of Transport & Logistics, National Council for Construction , Law Association of Zambia , Ministry of Infrastructure and Urban Development, Ministry of Justice , Zambia Chambers of Commerce and Industry, Chartered Institute of Logistics and Transport (CILT); and Two ex-official members one (1) from the Road Development Agency and another one from the Road Transport and Safety Agency.

Altogether, there are fourteen board members, including the Chairperson and Vice-Chairperson, and the two ex-official members.

¹⁰⁸ Mwewa, L. “Leadership and Ethical Governance: A Study of the National Road Fund Agency of Zambia” *Zambian Journal of Social Sciences*, 8(1), (2020) 12-29.

¹⁰⁹ Include section of at which provides for its creation

While the Act creates a representative Board, it does not specify any mandatory independence requirements, competency criteria, or a statutory board skills matrix.

3.3.2 Appointment Process & Terms

3.3.2.1 Appointment Authority

Section 5 of the National Road Fund Act Chapter 381 requires all members of the National Road Fund Agency's Board, including the Chairperson, to be nominated in accordance with the Act's procedures. The provision creates the legal basis for creating the Board and delegated appointment authority to the competent Minister, subject to the qualifications and composition standards outlined in the statute. As a result, the Chairperson is appointed through the same formal method as other Board members, rather than taking office independently of the Act¹¹⁰.

This ensures that the National Road Fund Agency's governance structure is legally and uniformly established, encouraging legitimacy, accountability, and conformity with the Agency's enabling statutes.

3.3.2.2 Term and Succession

According to Section 6 of the National Road Fund Act Chapter 381¹¹¹, members of the Board of the National Road Fund Agency serve for the term specified in the Act, after which a successor is selected. If a member's tenure expires before a replacement is chosen, the member may continue to serve for an additional transitional period of no more than four months, providing continuity in the Agency's operations and governance.

Furthermore, if a vacancy occurs before the end of a member's tenure, the appropriate Minister may nominate someone else to fill the gap. Such an appointee serves solely for the remainder of the predecessor's term, rather than starting a new full tenure. This technique promotes continuity in governance while maintaining the statutory cycle of appointments.

¹¹⁰ National Road Fund Act (n20)8

¹¹¹ National Road Fund Act (n20)8

3.3.2.3 Board Meetings & Decision-Making

The Board must meet at least once every three months¹¹², it operates with a quorum of nine members (excluding ex-officio members), and decisions are by simple majority, with the Chairperson (or Vice-Chairperson, if applicable) holding a casting vote in the event of a tie.

3.3.2.4 Sub-Committees

To support effective governance and oversight, the Board operates through several committees, which comprise of the Finance which provides guidance on financial matters, the Technical & Research Committee – oversees M&E, Road Tolling and ICT technical matters, the Administration and Legal Committee – oversees Legal, Procurement, PR and HR administrative functions. And the Audit & Risk Management Committee – focuses on audit oversight and risk mitigation.

These sub-committees typically meet at least once prior to quarterly board meetings, as their discussions and findings are reported to the main board meeting.

3.3.2.5 Disclosure of Conflict of interest

The National Road Fund Act includes conflict-of-interest measures under the NRF Act section 11, designed to encourage transparency, accountability, and integrity in the Agency's decision-making processes. The Act states that if a member of the Agency or any of its committees has a direct or indirect personal interest in a matter under consideration, including interests involving a spouse, that member must disclose the nature of that interest as soon as possible after the meeting begins.

Upon making such a disclosure, the member is barred from participating in any deliberations, debates, or voting on the topic, unless otherwise directed by the Agency or the appropriate committee. Furthermore, the Act requires any declaration of interest to be formally documented in the meeting's minutes. These measures are important in developing ethical governance because they prevent conflicts of interest, promote impartial decision-making, and increase institutional responsibility within the National Road Fund Agency's activities.

¹¹² National Road Fund Act (n20)8

Although section 11 requires disclosure of conflicts of interest, it does not establish a legislative Register of Interests or a complete Code of Conduct, leaving ethical governance entirely reliant on internal administrative tools.

3.4 Board Charter & Code of Ethics

The National Road Fund Agency has put in place several governance instruments aimed at promoting ethical conduct and ensuring effective oversight. The Board Charter enhances Cap.381 by specifying governance obligations not clearly stated in the Act. Among these are:

3.5.0 Code of Ethics

The document is utilized as part of the internal control / integrity structure (for instance, the Integrity Committee "facilitates continuous review of the Code of Ethics within the organisation"). It is likely to establish criteria for the conduct of the board, management, and staff in dealing with conflicts of interest, integrity, fairness, transparency, accountability, and stakeholder interactions¹¹³.

3.5.1 Audit Charter

Although the full text was not found during my search, an Audit Charter¹¹⁴ outlines the mission, scope, authority, and responsibilities of the Internal Audit function, as well as its relationship with the Board/Audit Committee, reporting lines, independence, objectivity, ethics, assurance and consulting services, and alignment with international internal audit standards.

3.5.2 Role of the Integrity Committee

The NRFA's Integrity Committee¹¹⁵ is responsible for ethical oversight, including preventing corruption. It creates and implements an annual Corruption Prevention Action Plan with concrete measures, which emphasises a corruption free mandate. Further, it goes on to reviews and internalizes the organization's Code of Ethics and resolves ethical and service delivery issues

¹¹³ Integrity Committee Lusaka (n50) 22

¹¹⁴ Integrity Committee Lusaka (n50) 22

¹¹⁵ National Road Fund Agency (NRFA). "Annual Report, NRFA corporate publications" (2023)

within seven (7) days. Recommends administrative measures based on complaints and suggests system enhancements to improve service performance.

However, the Committee draws its authority from internal administrative structures rather than statutory provisions, implying that its effectiveness is dependent on institutional commitment rather than legal obligations.

3.5.3 Stakeholder Engagement

The NRFA understands the necessity of including stakeholders such as government departments, contractors, road users, and the general public. Mechanisms like consultations and stakeholder forums are in place to encourage inclusivity¹¹⁶. However, engagement is unequal. Institutional actors typically have better access to decision-making channels, whereas ordinary road users and civil society organizations play a less role. This imbalance limits the participative aspect of non-governmental stakeholders.

Furthermore, the literature also highlights the role of stakeholders in promoting corporate governance ethics¹¹⁷ in government agencies. Scholars extrapolate that stakeholders, including citizens, civil society organizations, and the media, play a critical role in holding government agencies accountable for their actions and ensuring that they adhere to ethical standards.¹¹⁸ He argues that greater stakeholder engagement can help promote transparency, reduce corruption, and improve the overall governance of public sector organizations.

Zambia has made significant strides toward improving corporate governance, particularly in the public sector. The government has implemented various frameworks and policies intended to enhance transparency, accountability, and ethical conduct among public institutions, including the

¹¹⁶ Ugoani J., "Ethics Management: Corporate Governance and Organisational Ethics" (2024)

¹¹⁷ Da Silva R. R., "Code of Ethics and Conduct in the Light ..." (2021)

¹¹⁸ Nshindano, C. "Stakeholder engagement and corporate governance in the public sector" The case of Zambia. Corporate Governance: International Journal of Business in Society, 16(2), (2016)180-191

NRFA. The Public Finance Management Act (PFMA) and the Public Procurement Act are key legislative frameworks that guide governance practices in public entities¹¹⁹.

Stakeholder engagement therefore remains policy-based rather than statutorily mandated under Cap.381.

3.5.4 Internal Control and Oversight Mechanisms

Internal audits, external audits by the Auditor General¹²⁰, and statutory reporting requirements are the foundation of the NRFA's accountability system. These procedures are critical for detecting fraud and guaranteeing compliance with financial legislation. However, enforcement remains inconsistent, as audit reports frequently reveal deficiencies in record-keeping and procurement procedures. In some instances, delays in implementing corrective measures undermine confidence in the effectiveness of the internal control environment.

Key strengths include the establishment of a clearly defined governance framework through legislation, the provision of oversight committees, and structured reporting mechanisms. Furthermore, the existence of a Code of Ethics and codified institutional values demonstrates a commitment to ethical conduct, thereby enhancing transparency through the publication of financial and performance information.¹²¹

Although the strengths are existent in the NRFA some negative weaknesses can be seen to exist that are likely to jeopardize the institution's independence, which in the long run would limit stakeholder participation, particularly among civil society and ordinary road users. The inconsistent implementation of audit recommendations and ethical standards, coupled with inadequate whistleblowing mechanisms and limited ethical awareness among employees, undermines effective institutional governance and accountability.¹²²

¹¹⁹ Mwanangombe, P., Kumwenda, B., & Tembo, F. "The Role of Legislation in Enhancing Corporate Governance in Zambia" *Zambian Law Review*, 15(2), (2020) 25-40.

¹²⁰ Office of the Auditor-General, Republic of Zambia. *Auditor-General's Main Report 2022* (and Parastatal Reports)

¹²¹ National Road Fund Agency (NRFA). *Annual Report -NRFA corporate publications* (2024)

¹²² Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (OECD Publishing 2015) 45–48; Transparency International, *International Principles for Whistleblower Legislation* (2013) 6–9.

These approaches improve financial accountability but do not replace statutory governance requirements such as governance reporting and stakeholder accountability.

3.5.5 Compliance with Governance Standards

The NRFA's governance processes generally align with Zambia's regulatory frameworks, including the National Corporate Governance Code of 2026, which emphasises accountability, transparency, ethical leadership, board effectiveness, and stakeholder engagement within public institutions¹²³ The Agency's governance practices also reflect, to some extent, internationally recognised standards such as the OECD Principles of Corporate Governance and the King IV Report on Corporate Governance for South Africa. The publication of annual reports and audited financial statements further promotes institutional transparency and accountability.

Notwithstanding these governance measures, full compliance with corporate governance principles remains challenging in practice. Although the regulatory framework places considerable emphasis on independence, diversity, ethical leadership, and accountability, the practical implementation of these principles is not always consistent, thereby revealing a gap between formal governance structures and operational realities.

As a result, while the Agency has implemented governance measures in accordance with the National Corporate Governance Code 2026, these measures are mostly policy-based rather than statutory.

3.6 Ethical Challenges in Practice

The cited problems highlight the limitations of depending on internal governance instruments when corresponding statutory duties are not present.

¹²³ Securities and Exchange Commission Zambia, National Corporate Governance Code (2026) principles 1–5.

3.6.1 Alignment with Best Practices

The NRFA partially aligns with the OECD Principles and King IV requirements, particularly in terms of transparency and reporting. However, there are substantial differences in independence, inclusivity, and the constant implementation of ethical standards¹²⁴.

As a result, compliance with the National Corporate Governance Code 2026 is essentially procedural, as the Code's outcome-based governance standards have yet to be implemented into enabling legislation.

3.6.2 Implications for Performance and Trust

The mismatch between formal structures and operational realities undermines NRFA's effectiveness. Governance and ethical flaws contribute to inefficiencies¹²⁵, project delays, and decreased public trust. Nonetheless, the present frameworks serve as a solid foundation for future improvements.

3.7 Conclusion

This chapter has demonstrated that the National Road Fund Act, Cap.381, sets the institutional foundation for the National Road Fund Agency, which is supported by a variety of internal governance tools. While these instruments encourage accountability, ethical behavior, and openness, many work at the policy level rather than through enforceable statutory responsibilities. As a result, the legislative framework remains only partially aligned with the outcome-based concepts of the National Corporate Governance Code 2026. The following chapter therefore closely reviews the statutory flaws responsible for the governance implementation gap and considers the legislative amendments required to rectify them.

¹²⁴ Maile K.V. & Vyas-Doorgapersad S (n59) 24

¹²⁵ "The Importance of Codes of Ethics in Professional Integrity and Accountability" (2025)

CHAPTER FOUR

THE FINDINGS AND ANALYSIS

4.1 INTRODUCTION

This chapter analyzes and discusses the findings from a study of corporate governance processes and ethical compliance at the National Road Fund Agency (NRFA). The analysis compares the effectiveness of the Agency's governance structures, accountability systems, ethical compliance frameworks, risk management methods, and oversight processes to established corporate governance principles. The discussion also considers whether current governance frameworks properly encourage transparency, accountability, honesty, and responsible stewardship of public resources.

The findings are examined in the context of Agency Theory, Stakeholder Theory, and Stewardship Theory, as well as the *Zambian National Corporate Governance Code 2026*. The goal is not just to prove the presence of governance mechanisms, but also to ascertain if they effectively achieve the goals for which they were established.

4.1.1 Effectiveness of Governance Structures within the NRFA

The findings show that the NRFA has formal governance mechanisms that meet statutory and regulatory requirements. The institution consists of a Board of Directors, board committees, internal management systems, and governance policies designed to offer strategic oversight and institutional accountability. However, the existence of governance mechanisms alone does not constitute proof of good governance, as effective governance necessitates that oversight bodies actively monitor management performance, maintain legal compliance, and take corrective action when governance failures occur.¹²⁶

¹²⁶ Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (5th edn, OUP 2024) 43.

The findings indicate that, while the Agency's governance framework is appropriate in design, there is insufficient evidence that the governance structures regularly achieve their intended goals. The oversight institutions' repeated observations of weaknesses in financial controls and governance practices suggest that formal structures do not always translate into effective oversight.

This conclusion lends support to Agency Theory, which holds that governance systems exist largely to oversee managers and reduce opportunistic behavior.¹²⁷ When governance flaws are discovered despite the presence of official oversight measures, doubts emerge about the efficiency of the institution's monitoring arrangements.

The upshot is that governance efficiency within the NRFA should be measured not by the presence of structures, but by demonstrable governance results.

4.1.2 Assessment of Ethical Compliance within the NRFA

The study discovered that the NRFA has implemented a variety of ethical governance tools, including codes of conduct, compliance procedures, and institutional rules aimed at promoting ethical behavior and integrity.

Despite the existence of these frameworks, the findings indicate that ethical compliance appears largely procedural in nature. The available information shows a commitment to developing ethical standards, nevertheless, there is little evidence that ethical principles are regularly entrenched in practical decision-making procedures. This distinction is crucial because ethical governance is more than just implementing policies. Effective ethical governance necessitates institutional cultures that foster integrity, accountability, and responsible decision-making at all organizational levels.¹²⁸

The findings indicate that ethical compliance inside the Agency is mostly compliance-driven rather than values-based. This increases the possibility that ethical commitments will be considered as regulatory requirements rather than fundamental governance principles.

¹²⁷ MAS Al-Faryan, 'Agency Theory, Corporate Governance and Corruption' (2024) Cogent Business & Management.

¹²⁸ Zambian National Corporate Governance Code 2026, Principle 2

The analysis thus exposes a disconnect between formal ethical commitments and substantive ethical governance. This finding is consistent with Stakeholder Theory, which emphasizes the importance of institutions demonstrating accountability not only through compliance processes, but also through behaviour that really reflects stakeholder interests¹²⁹ and public expectations.

4.1.3 Accountability and Transparency in Public Resource Management

One of the primary goals of corporate governance is to promote accountability in the management of public resources. The findings show that the NRFA follows a system that necessitates regular reporting, auditing, and oversight from external entities.

Nonetheless, frequent concerns presented through oversight mechanisms indicate that accountability issues persist throughout public sector organizations in general, including those in charge of infrastructure finance and management. The continuation of governance concerns despite existing accountability mechanisms implies that accountability systems may serve as compliance tools rather than effective instruments of institutional control.¹³⁰

One major takeaway from the research is that transparency does not ensure accountability. Although information can be released through reports and audits, governance gains are dependent on whether institutions take corrective action in response to discovered deficiencies.

The findings suggest that while oversight processes increase accountability inside the NRFA, implementation issues limit the practical impact of governance measures.

4.1.4 The Role and Effectiveness of External Oversight

External oversight institutions play an important role in ensuring good governance in public institutions. The findings show that oversight bodies have regularly highlighted governance, financial management, and compliance flaws inside public sector organizations.

¹²⁹ R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman 1984) 46.

¹³⁰ *Zambian National Corporate Governance Code 2026*, Principle 2

These findings are significant not only for identifying governance flaws, but also for revealing institutional responsiveness. Institutions must fix recognized vulnerabilities in a timely and thorough manner to ensure effective governance.

The study discovered that external oversight mechanisms significantly increase transparency by exposing governance flaws and making recommendations for improvement. However, the success of such oversight is ultimately determined by the institutions' ability to put suggestions into action.

As a result, monitoring methods should be considered as facilitators of accountability rather than a replacement for internal governance effectiveness.

4.1.5 Risk Management and Internal Control Systems

The findings show that the NRFA has put in place formal risk management and internal control systems to protect public resources and improve institutional performance. However, the ongoing discovery of governance and financial management flaws raises worries about the efficacy of implementation and monitoring procedures.

Risk management systems are only effective if they are continually detected, assessed, monitored, and mitigated. The findings indicate that flaws may not be caused by a lack of risk management frameworks, but rather by deficiencies in enforcement, monitoring, and organisational commitment. This illustrates that governance effectiveness is heavily reliant on institutional capability and leadership commitment. Even well-designed governance systems might become ineffectual if implementation is poor.

The findings imply that improving institutional accountability necessitates a higher emphasis on the operational efficacy of risk management systems rather than their simple existence.

4.1.6 Compliance with the Zambian National Corporate Governance Code 2026

The findings show that the NRFA has largely implemented governance measures consistent with the principles described in the Zambian National Corporate Governance Code 2026.

However, compliance appears to be more strongly related to governance structures than governance outcomes. While the Agency has built many of the governance mechanisms needed by the Code, the findings indicate that practical implementation is still a substantial difficulty.

This contrast emphasizes a significant governance challenge in public-sector organisations and quasi-government institutions. Compliance should be judged not just by the presence of policies and processes, but also by their efficacy in encouraging accountability, transparency, ethical behavior, and organizational success.

The findings reveal limited conformity with the Code, particularly in terms of governance effectiveness and execution.

4.1.7 The Governance Implementation Gap

The findings reveal a major theme, the existence of a governance implementation gap. The NRFA has many of the governance structures, rules, and accountability procedures associated with strong corporate governance. However, the data show disparities between formal governance systems and actual governance results.

This gap is one of the most serious governance issues found by the study, it indicates that governance reform cannot be achieved solely by policy adoption.¹³¹ Effective governance necessitates institutional commitment, ethical leadership, proactive oversight, and continuous enforcement.

¹³¹ Organisation for Economic Co-operation and Development, G20/OECD Principles of Corporate Governance (2023) Principle VI.

The findings lend support to Stewardship Theory, which holds that corporate values, leadership conduct, and institutional culture are significant determinants of governance performance.¹³² The governance mechanisms give a framework for accountability, but institutional actors ultimately decide whether governance goals are met.

The implementation gap found in this study thus represents the primary barrier to attaining effective corporate governance inside the NRFA.

4.1.8 Discussion of Findings in Relation to the Research Objectives

The study aimed to assess the effectiveness of corporate governance procedures in encouraging ethical compliance at the National Road Fund Agency.

The findings show that the NRFA has built governance structures that broadly adhere to acknowledged governance principles. However, governance effectiveness is hampered by implementation issues, insufficient enforcement, and recurring governance difficulties uncovered through oversight systems.

The study also discovered that ethical compliance mechanisms exist, although they appear to function mostly at the procedural level, as a result, the efficiency of governance systems is limited by their ability to be translated into practical institutional conduct.

Therefore, the findings imply that the efficacy of governance within the NRFA is more dependent on the quality of implementation, monitoring, and institutional commitment to accountability and ethical conduct than on the adoption of governance frameworks.

¹³² James H Davis, F David Schoorman and Lex Donaldson, 'Toward a Stewardship Theory of Management' (1997) 22 Academy of Management Review 20, 24. Jide I, Abdulrasheed B and Leke BG, 'A Contextual Review of Stewardship Theory in Corporate Governance: Implications for Business Practices' (2025) Premier Journal of Business and Management.

4.1.9 Discussion of Findings Against Existing Literature

The findings of this study mainly support the current scholarly literature on corporate governance in quasi-government institutions. The analysis found that, while the National Road Fund Agency has created governance structures and compliance processes that are commensurate with recognized governance norms, issues exist in the practical implementation and enforcement of those measures. This finding is consistent with Tricker's views, who contends that good corporate governance should be judged not just by the presence of governance frameworks, but also by their ability to impact organizational behavior and promote accountability.¹³³

Similarly, Mallin argues that governance institutions like as boards of directors, audit committees, and compliance systems are only effective if they work autonomously and are supported by strong monitoring procedures.¹³⁴ The findings of this study show that, while the NRFA has established such structures, recurring concerns identified in external oversight reports suggest that governance effectiveness is still dependent on the quality of implementation rather than the mere existence of governance arrangements.

The findings provide additional support for the propositions advanced by Agency Theory. Jensen and Meckling argue that governance mechanisms are intended to reduce agency conflicts by requiring managers to act in the best interests of stakeholders rather than pursuing personal goals.¹³⁵ The reoccurring governance challenges found through oversight processes indicate that monitoring structures alone may not be sufficient to minimize agency risks. Effective governance necessitates ongoing monitoring, accountability, and enforcement systems capable of assuring conformity with institutional goals.

The study also confirms the importance of stakeholder theory in public sector governance. According to Freeman, organizations must consider all stakeholders affected by their activity, not

¹³³ Bob Tricker, *Corporate Governance: Principles, Policies and Practices* (5th edn, Oxford University Press 2024) 43–46.

¹³⁴ Christine Mallin, *Corporate Governance* (7th edn, Oxford University Press 2022) 67–72.

¹³⁵ Thomas Donaldson and others, 'A Stakeholder Theory of Corporate Governance' (2024) *Academy of Management Review*.

only management and shareholders.¹³⁶ The findings show that, while the NRFA functions under a governance framework designed to enhance accountability and transparency, there is little evidence of widespread stakeholder participation in governance procedures. This suggests that stakeholder inclusivity needs to be improved further in order to fully align with contemporary governance expectations and the *Zambian National Corporate Governance Code 2026*.

Furthermore, the findings support Solomon's remarks, which state that ethical governance cannot be attained only through adherence to rules and regulations.¹³⁷ Instead, ethical governance necessitates the establishment of institutional cultures that value honesty, transparency, and responsible decision-making. While the Agency has implemented codes of conduct and ethical compliance frameworks, the findings indicate that ethical governance is primarily procedural. This lends credence to Solomon's contention that ethical governance must become ingrained in organizational culture in order for governance goals to be effectively met.

The study's conclusions are consistent with the OECD Principles of Corporate Governance, which prioritize accountability, openness, effective oversight, and stakeholder engagement for good governance.¹³⁸ Although the NRFA has built governance structures aimed at advancing these ideals, the data show a disconnect between formal compliance and substantive governance achievements. Similar findings have been reported in governance studies involving public institutions in underdeveloped countries, where governance reforms usually result in the construction of formal structures but no matching gains in institutional accountability or performance.

Furthermore, the data support Stewardship Theory, which holds that institutional leaders' commitment, integrity, and ethical conduct have a major impact on organizational success. According to Davis, Schoorman, and Donaldson, effective governance is determined by leadership

¹³⁶ Masiye Banda and Austin Mwange, 'Corporate Governance: A Theoretical Review' (2023) 15(16) *European Journal of Business and Management* 61.

¹³⁷ Jill Solomon, *Corporate Governance and Accountability* (5th edn, Wiley 2020) 115–120.

¹³⁸ Organisation for Economic Co-operation and Development, *G20/OECD Principles of Corporate Governance* (2023) Principles I, IV and VI.

behavior and organizational culture, in addition to institutional arrangements.¹³⁹ The governance implementation gap discovered in this study shows that even when governance institutions are well-designed, governance outcomes may be constrained if institutional players do not actively support and enforce governance principles.

The findings thus add to the existing literature by demonstrating that the primary challenge facing corporate governance within quasi-government institutions such as the NRFA is not necessarily the lack of governance frameworks, but rather their effective implementation, enforcement, and institutionalisation. This result supports contemporary governance study, which emphasizes governance effectiveness, accountability outcomes, and ethical leadership as true indices of excellent corporate governance.

4.2 Conclusion

The analysis shows that the National Road Fund Agency has established a governance framework that broadly adheres to recognized corporate governance principles and the Zambian National Corporate Governance Code 2026. However, the study discovered that governance efficacy is still constrained by implementation flaws, insufficient enforcement, and a persisting gap between formal governance frameworks and actual governance outcomes.

The findings further show that effective corporate governance requires more than just policies, procedures, and supervision systems. The institutional commitment, ethical leadership, accountability, and continuous execution of governance principles are all required for long-term change. Additionally, the study indicates that, while the NRFA's governance architecture is acceptable in design, major modifications are needed to guarantee that governance mechanisms perform successfully in reality and achieve their intended goals.

¹³⁹ James H Davis, F David Schoorman and Lex Donaldson, 'Toward a Stewardship Theory of Management' (1997) 22 *Academy of Management Review* 20, 24–27.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

This chapter concludes the research on corporate governance ethics and compliance inside the National Road Fund Agency (NRFA) and offers recommendations based on the results and analysis in Chapter 4. The recommendations aim to improve accountability within the Agency, increase ethical compliance, and strengthen the efficacy of corporate governance structures. In addition, the chapter offers closing thoughts on the study and identifies areas that require more investigation.

5.1.2 Summary of Key Findings

The Board of Directors, internal control systems, and ethical policy frameworks are among the formal corporate governance processes that the NRFA has in place, according to the report. These mechanisms demonstrate an institutional commitment to accountability and openness and are in line with accepted corporate governance norms¹⁴⁰.

The results, however, also showed a significant disconnect between formal governance systems and their actual application. Although policy texts clearly outline ethical norms and compliance procedures, their practical efficacy is still unknown because of institutional capacity, monitoring, and enforcement constraints.

Furthermore, ongoing issues with financial management, internal controls, and governance procedures in quasi-government institutions are highlighted in external oversight reports from organizations such as the Office of the Auditor General Zambia.¹⁴¹ These results highlight more general structural problems with public sector corporate governance.

¹⁴⁰ Organisation for Economic Co-operation and Development (OECD), G20/OECD Principles of Corporate Governance (OECD Publishing 2015).

¹⁴¹ Office of the Auditor General, Report of the Auditor General on the Accounts of the Republic of Zambia (Government Printer, various years); Zambia, Financial Intelligence Centre, Trends Report (various years).

5.2 Recommendations

5.2.1 Proposed Amendments to the Law Relating to the National Road Fund Agency

The findings of this analysis show that the governance implementation gap within the National Road Fund Agency is mostly due to shortcomings in the National Road Fund Act,¹⁴² rather than a lack of governance rules. Legislative reform is required to reconcile the Act with the outcome-based governance concepts outlined in the National Corporate Governance Code 2026.

First, Parliament should add a new section 6A to the National Road Fund Act to create basic statutory governance standards for board membership, independence, ethics, and accountability. The proposed provision would mandate the appointment of a majority of independent non-executive directors, establish competency and experience criteria through a statutory board skills matrix, require every Board member to subscribe to a statutory Code of Conduct, and create a mandatory Register of Interests and Conflict of Interest Register. These initiatives would legally implement Principles 2, 3, and 7 of the National Corporate Governance Code 2026.

Second, section 8 of the National Road Fund Act should be revised to explicitly distinguish between ministerial policy control and operational governance. The modified section should limit ministerial powers to policy direction while ensuring the Board's operational independence in governance, budgetary supervision, and strategic decision-making. Such a change would increase institutional autonomy and accountability while also harmonizing the Act with Principle 1 of the National Corporate Governance Code 2026.

Third, Parliament should create a new section 18A that requires the National Road Fund Agency to write and publish an annual Governance and Accountability Report apart from its financial statements. The Act should also create a statutory Road Users' Consultative Forum, whereby road users, civil society, local governments, contractors, and other stakeholders can participate in governance discussions and provide feedback on the Agency's performance. These modifications would increase transparency, governance reporting, and stakeholder responsibility, thereby implementing Principles 8 and 9 of the National Corporate Governance Code 2026.

¹⁴² NRF Act Cap 381

5.2.2 Proposed Changes to Internal Policies

Although legislative change is the study's major recommendation, the National Road Fund Agency should assess its internal governance tools to ensure compliance with the proposed statutory amendments.

The Board Charter should be updated to include statutory requirements for board independence, yearly board reviews, competency standards, and succession planning. Similarly, the Code of Ethics should include mandated procedures for declaring conflicts of interest, managing conflict, providing ethical leadership, and imposing fines for noncompliance.

The Whistleblower Policy should be tightened by implementing stronger confidentiality protections, anonymous reporting systems, and explicit procedures for examining protected disclosures. Furthermore, the Internal Audit Charter should clearly demand annual governance compliance evaluations to determine the Agency's adherence to both the National Road Fund Act and the National Corporate Governance Code 2026.

5.2.3 Administrative Recommendations

Until legislative change is completed, the National Road Fund Agency should implement administrative steps to improve governance effectiveness.

The board and top management should receive ongoing training on the National Corporate Governance Code 2026, board roles, fiduciary duties, and ethical governance. The Internal Audit Unit's role should be expanded to include periodic governance audits as well as financial audits, and governance compliance should be reported directly to the Board.

The Agency should expand its digital governance platforms to facilitate governance reporting, declarations of interest, board performance evaluations, and stakeholder interaction. Finally, management should implement periodic governance self-assessments against the National Corporate Governance Code 2026 to identify governance flaws and urge corrective action before they become systemic.

5.2.4 Areas for Further Research

This study used a doctrinal legal research technique, focusing on assessing the adequacy of the National Road Fund Act, Cap. 381 as the statutory framework guiding corporate governance at the National Road Fund Agency.

Future study may use empirical approaches such as interviews, surveys, and case studies to evaluate the practical application of proposed legislative improvements once they are adopted. Comparative studies of governance legislation applicable to statutory road funds and state-owned companies in other African jurisdictions would also provide valuable insights into developing best practices that could drive future law reform in Zambia.

5.3 Conclusion

This study examined the governance implementation gap within the National Road Fund Act, Cap. 381 by evaluating its governance provisions against the outcome-based standards established by the National Corporate Governance Code 2026. The analysis demonstrated that while the National Road Fund Agency has adopted various governance structures and internal policies, the enabling legislation does not comprehensively incorporate contemporary principles relating to board independence, ethical governance, institutional autonomy, governance reporting and stakeholder accountability.

The analysis found statutory inadequacies in board independence and ethical governance, ministerial monitoring and board autonomy, governance reporting, and stakeholder participation. These inadequacies contribute to a governance implementation gap, in which governance mechanisms exist but lack the legislative support required for effective execution.

As a result, the study suggests that effective governance transformation requires legislative rather than administrative involvement. The proposed amendments to the National Road Fund Act, Cap. 381, provide a legislative framework for aligning the Act with the National Corporate Governance Code 2026 while also strengthening accountability, transparency, institutional independence, and public trust in the National Road Fund Agency's governance. In doing so, the study adds to Zambia's corporate governance jurisprudence by establishing that effective public sector

governance is dependent not just on the presence of governance mechanisms, but also on legislation that converts governance concepts into legally binding requirements.

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